



Fact Sheet:



Health Insurance Portability and Accountability Act (HIPAA) Branch

What Is HIPAA?

HIPAA was signed into federal law in 1996 (PL 104-191). "The primary intent of the law is to protect health insurance coverage for workers and their families when they change or lose their jobs." The law includes requirements for administrative simplification because it was recognized that this new protection would impose additional administrative burdens on health care providers, payers, and clearinghouses.

The Administrative Simplification portion of the law is specifically designed to reduce the burden associated with the transfer of health information between organizations, and more generally, to increase the efficiency and cost effectiveness of the U.S. health care system. The approach accelerates the move from certain paper-based administrative and financial transactions to electronic transactions through the establishment of nationwide standards for transmitting and receiving health care information.

HIPAA requires the standardization of Electronic Data Interchange (EDI) for claims processing, authorization, enrollment, remittance advice and coordination of benefits. The Department of Alcohol and Drug Programs (ADP) and other "covered entities" will be required to change to the national codes and claims processing requirements.

In addition to standardizing health care

claims processing, the law also requires new privacy and information security standards for Protected Health Information (PHI). These requirements are designed to ensure that an individual's health information remains private and confidential in electronic and other formats.

As a payer of Drug Medi-Cal claims for AOD services, ADP must update its business processes and information systems to comply with the new EDI standards and the provisions for privacy and information security required by HIPAA.

The HIPAA Branch operates according to an Enterprise Project Plan, which specifies the processes by which ADP will implement HIPAA. The State Department of Finance approved a Feasibility Study Report (FSR) for the HIPAA Project in March 2000. A Steering Committee made up of ADP Deputy Directors and other key staff is providing oversight for the project. The ADP HIPAA Branch coordinates with the California Office of HIPAA Implementation (Cal-OHI), the coordinating body for all state programs that are affected by HIPAA.

What Are the Standards?

The Federal Centers for Medicare and Medicaid Services is responsible for implementing some of HIPAA's provisions. Currently, these are the proposed and final standards of HIPAA:

1. **Transactions and Code Sets:** Claims,

Claim Status Inquiry and Response;
Coordination of Benefits, etc.

Code Sets: Codes used to indicate diseases, injuries, impairments and medical procedures.

2. **Privacy and Confidentiality**: Uses and Disclosures of PHI.
3. **Unique Health Care Provider Identifiers**: Requirements for use by covered entities; Data Elements.
4. **Security**: Administrative, Technical and Physical Safeguards for electronic information.
5. **Enforcement**: Penalties; Procedures for Investigations.
6. **Claims Attachments**: Clinical data to help establish medical necessity for coverage.

What Is the Impact on ADP?

HIPAA will fundamentally change how health care is provided, managed, and paid for in the United States. ADP, as a covered entity,²² is currently implementing HIPAA for Drug Medi-Cal (DMC) and other business processes related to it. The HIPAA Office of ADP is located in the Program Operations Division.

Below are some of the areas that are anticipated to need significant changes in order for ADP to achieve HIPAA compliance:

- DMC Claims Processing System
- Administrative Support (Accounting, Contracts)
- Fiscal Management (Cost Reports)
- Compliance Protocols
- Fiscal Audits
- Data Collection
- Program Policy, Procedures & Regulations
- Technical Assistance to Local Alcohol and Other Drug (AOD) Agencies

How Long Do We Have to Comply with HIPAA Standards?

The standards have compliance deadlines written into each Rule. Transaction and Code Sets, Privacy, Security, and the Unique Health Care Provider Identifier rules have been finalized:

Transactions and
Code Sets Rule: October 16, 2003

Privacy Rule: April 14, 2003

Security Rule: April 21, 2005

Unique Identifier
for Health Care
Providers Rule: May 23, 2005

Who Must Comply with HIPAA?

ALL health care providers that use and transmit health information electronically are considered “covered entities” according to HIPAA. A health care provider is any person or organization who furnishes, bills, or is paid for health care in the normal course of business. “Health care” means the provision of care, services, or supplies to a patient, and includes treatment provided in the course of research. Noncompliance can result in fines and penalties.

For more information contact:

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